

Test 1 Review: ECON 2301_Spring 2017_West Loop Center

1. Resources are
 - a. scarce for households but plentiful for economies.
 - b. plentiful for households but scarce for economies.
 - c. scarce for households and scarce for economies.
 - d. plentiful for households and plentiful for economies.

ANSWER: c

2. Which of the following is a decision that economists study?
 - a. how much people work
 - b. what people buy
 - c. how much money people save
 - d. All of the above are correct.

ANSWER: d

3. Candice is planning her activities for a hot summer day. She would like to go to the local swimming pool and see the latest blockbuster movie, but because she can only get tickets to the movie for the same time that the pool is open she can only choose one activity. This illustrates the basic principle that
 - a. people respond to incentives.
 - b. rational people think at the margin.
 - c. people face tradeoffs.
 - d. improvements in efficiency sometimes come at the expense of equality.

ANSWER: c

4. The opportunity cost of an item is
 - a. the number of hours needed to earn money to buy the item.
 - b. what you give up to get that item.
 - c. usually less than the dollar value of the item.
 - d. the dollar value of the item.

ANSWER: b

5. Ramona decides to spend two hours taking a nap rather than attending her classes. Her opportunity cost of napping is
 - a. the value of the knowledge she would have received had she attended class.
 - b. the \$24 she could have earned if she had worked at her job for those two hours.
 - c. the value of her nap minus the value of attending class.
 - d. nothing, since she valued sleep more than attendance at class.

ANSWER: a

6. Making rational decisions "at the margin" means that people
- make those decisions that do not impose a marginal cost.
 - evaluate how easily a decision can be reversed if problems arise.
 - compare the marginal costs and marginal benefits of each decision.
 - always calculate the dollar costs for each decision.

ANSWER: c

7. Economists are particularly adept at understanding that people respond to
- laws.
 - incentives.**
 - punishments more than rewards.
 - rewards more than punishments.
8. Suppose the state of Wyoming passes a law that increases the tax on cigarettes. As a result, smokers who live in Wyoming start purchasing their cigarettes in surrounding states. Which of the following principles does this best illustrate?
- People respond to incentives.
 - Rational people think at the margin.
 - Trade can make everyone better off.
 - Markets are usually a good way to organize economic activity.

ANSWER: a

9. The principle that "trade can make everyone better off" applies to interactions and trade between
- families.
 - states within the United States.
 - nations.
 - All of the above are correct. ANSWER: d
10. Annie is an excellent baker and Sam has a plentiful farm. If Sam trades eggs and butter to Annie for some of Annie's bread and pastries,
- only Sam is made better off by trade.
 - only Annie is made better off by trade.
 - both Sam and Annie are made better off by trade.
 - neither Sam nor Annie are made better off by trade.
11. Which of the following statements does *not* apply to a market economy?
- Firms decide whom to hire and what to produce.

- b. The “invisible hand” usually maximizes the wellbeing of society as a whole.
- c. Households decide which firms to work for and what to buy with their incomes.
- d. Government policies are the primary forces that guide the decisions of firms and households.

ANSWER: d

10. Economists, like mathematicians, physicists, and biologists,
- a. make use of the scientific method.
 - b. try to address their subject with a scientist’s objectivity.
 - c. devise theories, collect data, and then analyze these data in an attempt to verify or refute their theories.
 - d. All of the above are correct.

ANSWER: d

11. Economists make assumptions to
- a. provide issues for political discussion.
 - b. make a complex world easier to understand.
 - c. make it easier to teach economic concepts and analysis.
 - d. create policy alternatives that are incomplete or subject to criticism.

ANSWER: b

12. An economic theory about international trade that is based on the assumption that there are only two countries trading two goods
- a. is useless, since the real world has many countries trading many goods.
 - b. can be useful only in situations involving two countries and two goods.
 - c. can be useful in the classroom, but is useless in the real world.
 - d. can be useful in helping economists understand the complex world of international trade involving many countries and many goods.

ANSWER: d

13. Which of the following is *not* correct about most economic models?
- a. They are composed of equations and diagrams.
 - b. They contribute very little to economists’ understanding of the real world.
 - c. They omit many features of the real-world economy.
 - d. In constructing models, economists make assumptions.

ANSWER: b

14. The circular-flow diagram is a
- a. visual model of the economy.

- b. visual model of the relationships among money, prices, and businesses.
- c. model that shows the effects of government on the economy.
- d. mathematical model of how the economy works.

ANSWER: a

15. Factors of production are
- a. used to produce goods and services.
 - b. also called output.
 - c. abundant in most economies.
 - d. assumed to be owned by firms in the circular-flow diagram.

ANSWER: a

16. Which markets are represented in the simple circular-flow diagram?
- a. markets for goods and services and markets for financial assets
 - b. markets for factors of production and markets for financial assets
 - c. markets for goods and services and markets for factors of production
 - d. markets for goods and services and markets for imports and exports

ANSWER: c

17. In the circular-flow diagram, which of the following items flows from households to firms through the markets for goods and services?
- a. goods and services
 - b. dollars paid to land, labor, and capital
 - c. dollars spent on goods and services
 - d. wages, rent, and profit

18. According to the circular flow diagram, if Denny is the owner of a landscaping business and he just received \$50 for mowing Mrs. Pendleton's lawn,
- a. the \$50 represents a cost of production for Denny's firm.
 - b. the \$50 represents wages, rent, and profit to Denny's firm.
 - c. Denny acts as a firm who interacted in the markets for factors of production with Mrs. Pendleton.
 - d. Denny acts as a firm who interacted in the markets for goods and services with Mrs. Pendleton.

ANSWER: d

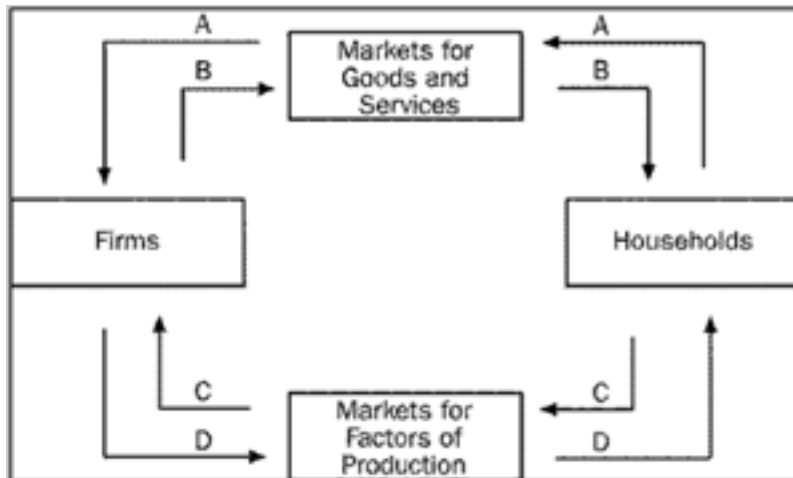


Figure 2-1

19. **Refer to Figure 2-1.** Which arrow represents the flow of spending by households?

a. A
b. B
c. C
d. D

ANSWER: a

20. **Refer to Figure 2-1.** Which arrow represents the flow of land, labor, and capital?

a. A
b. B
c. C
d. D

ANSWER: c

21. **Refer to Figure 2-1.** Which arrow represents the flow of income payments?

a. A
b. B
c. C
d. D

ANSWER: d

22. **Refer to Figure 2-1.** Raymond buys a refrigerator for his new home. To which of the arrows does this transaction directly contribute?

a. A only
b. A and B
c. C only
d. C and D

ANSWER: b

23. **Refer to Figure 2-1.** Harvey receives his first paycheck for working as an ice cream vendor. To which of the arrows does this transaction directly contribute?
- a. B only
 - b. A and B
 - c. C only
 - d. C and D

ANSWER: d

24. The production possibilities frontier is a graph that shows the various combinations of output that an economy
- a. should produce.
 - b. wants to produce.
 - c. can produce.
 - d. demands.

ANSWER: c

25. When an economy is operating at a point on its production possibilities frontier, then
- a. consumers are content with the mix of goods and services that is being produced.
 - b. there is no way to produce more of one good without producing less of the other.
 - c. equal amounts of the two goods are being produced.
 - d. All of the above are correct.

ANSWER: b

26. Suppose a nation is currently producing at a point inside its production possibilities frontier. We know that
- a. the nation is producing beyond its capacity, so inflation will occur.
 - b. the nation is not using all available resources or is using inferior technology or both.
 - c. the nation is producing an efficient combination of goods.
 - d. there will be a large opportunity cost if the nation tries to increase production of any good.

ANSWER: b

Table 2-3

Production Possibilities for Footville

Shoes	Socks
800	0
600	400
400	700
200	900
0	1000

27. **Refer to Table 2-3.** What is the opportunity cost to Footville of increasing the production of shoes from 400 to 600?
- a. 400 socks
 - b. 300 socks
 - c. 200 socks
 - d. 100 socks

ANSWER: b

Table 2-4

Production Possibilities for Picnicland

Hotdogs	Burgers
1800	0
1350	450
900	750
450	975
0	1125

28. **Refer to Table 2-4.** What is the opportunity cost to Picnicland of increasing the production of hotdogs from 450 to 900?
- a. 150 burgers
 - b. 225 burgers
 - c. 300 burgers
 - d. 450 burgers

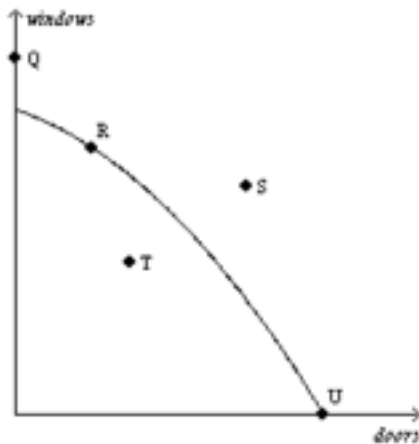
ANSWER: b

29. **Refer to Table 2-4.** What is the opportunity cost to Picnicland of increasing the production of burgers from 450 to 750?

- a. 150 hotdogs
- b. 225 hotdogs
- c. 300 hotdogs
- d. 450 hotdogs

ANSWER: d

Figure 2-4



Refer to Figure 2-4. At which point is this economy producing its maximum possible quantity of doors?

- e. R
- f. S
- g. T
- h. U

ANSWER: d

30. **Refer to Figure 2-4.** This economy has the ability to produce at which point(s)?

- a. Q, R, T, U
- b. R, T, U
- c. R, U
- d. T

ANSWER: b

31. **Refer to Figure 2-4.** Inefficient production is represented by which point(s)?

- a. Q, S
- b. Q, S, T
- c. R, U

d. T

ANSWER: d

32. **Refer to Figure 2-5 below.** If this economy devotes all of its resources to the production of dryers, then it will produce
- a. 0 dryers and 100 washers.
 - b. 60 dryers and 50 washers.
 - c. 80 dryers and 0 washers.
 - d. 80 dryers and 50 washers.

ANSWER: c

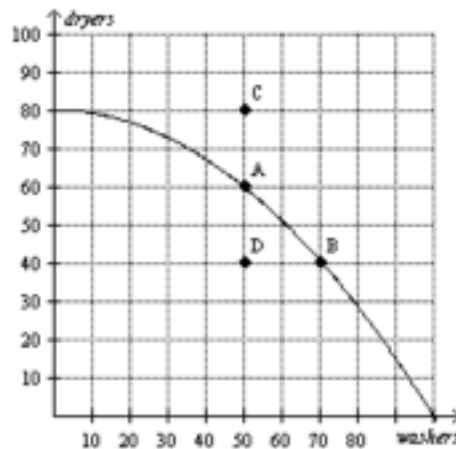


Figure 2-5

33. **Refer to Figure 2-5.** This economy cannot currently produce 70 washers and 70 dryers because
- a. it is not using all of its resources.
 - b. it is not using the most efficient production process.
 - c. it does not have the resources and technology to produce that level of output.
 - d. All of the above are correct.

ANSWER: c

34. **Refer to Figure 2-12.** Which of the following would most likely have caused the production possibilities frontier to shift outward from A to B?
- a. a decrease in unemployment
 - b. a technological advance in the consumer goods industries
 - c. a general technological advance
 - d. an increase in the availability of capital-producing resources

Figure 2-12

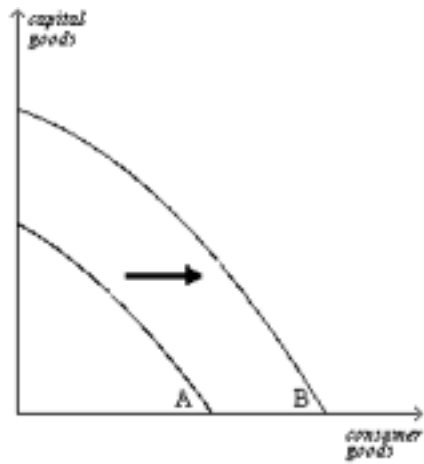


Table 2-5

Corn (in bushels)	Wheat (in bushels)
2000	0
1600	700
1200	1300
800	1800
400	2200
0	2500

36. **Refer to Table 2-5.** Table 2-5 shows one set of production possibilities. What is the opportunity cost of increasing the production of corn from 400 bushels to 800 bushels?
- a. 200 bushels of wheat
 - b. 400 bushels of wheat
 - c. 600 bushels of wheat
 - d. 800 bushels of wheat

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.6 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model
Opportunity Cost

KEYWORDS: BLOOM'S: Analysis

NOTES: r

37. **Refer to Table 2-5.** Table 2-5 shows one set of production possibilities. What is the opportunity cost of an increase in the production of wheat from 700 bushels to 1300 bushels?
- a. 800 bushels of corn
 - b. 600 bushels of corn
 - c. 400 bushels of corn
 - d. 400 bushels of wheat

ANSWER: c

38. **Refer to Table 2-5.** Table 2-5 shows one set of production possibilities. Which of the following statements is correct?
- a. The opportunity cost of a bushel of corn does not depend on how many bushels of wheat are being produced.
 - b. The opportunity cost of a bushel of corn increases as more corn is produced.
 - c. The opportunity cost of a bushel of corn decreases as more corn is produced.
 - d. The opportunity cost of a bushel of wheat decreases as more wheat is produced.

ANSWER: b

39. **Refer to Table 2-5.** Table 2-5 shows one set of production possibilities. Based on the values in the table, the production possibilities frontier is
- a. bowed outward indicating increasing opportunity costs.
 - b. bowed outward indicating decreasing opportunity costs.
 - c. a straight line indicating constant opportunity costs.
 - d. bowed inward indicating increasing opportunity costs.

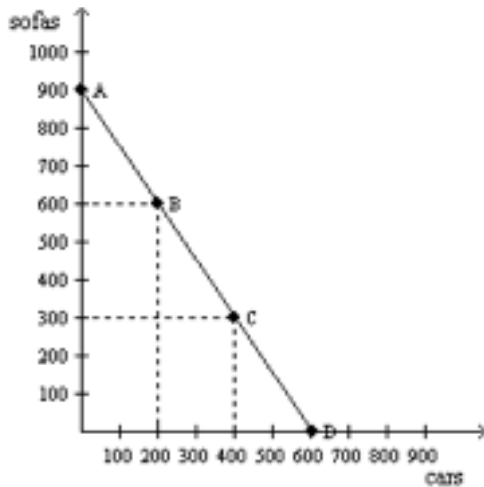
ANSWER:

a

40. **Refer to Table 2-5.** Table 2-5 shows one set of production possibilities. Which of the following combinations of corn and wheat is not currently attainable but would be attainable if there was an improvement in overall production technology?
- a. 1600 bushels of corn and 300 bushels of wheat
 - b. 1400 bushels of corn and 800 bushels of wheat
 - c. 1000 bushels of corn and 2000 bushels of wheat
 - d. 600 bushels of corn and 1800 bushels of wheat

ANSWER: c

Figure 2-15



41. **Refer to Figure 2-15.** Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of each car is
- a. the slope of the production possibilities frontier.
 - b. 3/2 sofas.
 - c. 2/3 of a sofa.
 - d. Both a and b are correct.

ANSWER: d

42. **Refer to Figure 2-15.** Consider the production possibilities frontier for an economy that produces only sofas and cars. When society moves from point A to point B,
- a. the opportunity cost is the same as when society moves from point B to point C.
 - b. it is giving up cars to get sofas.
 - c. the opportunity cost is increasing.
 - d. it moves from an inefficient point to an efficient point.

ANSWER: a

43. Macroeconomics is the study of
- a. individual decision makers.
 - b. international trade.
 - c. economy-wide phenomena.
 - d. markets for large products.

ANSWER: c

44. A microeconomist — as opposed to a macroeconomist — might study
- a. the effect of a national healthcare program on the nation's unemployment rate.
 - b. the effect of new regulations on production in the pulp and paper industry.
 - c. the effect of changes in interest rates on gross domestic product.
 - d. the growth rate of production in the economy.

ANSWER: b

45. Normative statements are
- a. prescriptive, whereas positive statements are descriptive.
 - b. descriptive, whereas positive statements are prescriptive.
 - c. backward-looking, whereas positive statements are forward-looking.
 - d. forward-looking, whereas positive statements are backward-looking.

ANSWER: a

46. Positive statements are

- a. prescriptive.
- b. claims about how the world should be.
- c. claims about how the world is.
- d. made by economists speaking as policy advisers.

ANSWER: c

47. Normative statements are

- a. not usually made by economists.
- b. claims about how the world should be.
- c. claims about how variables in the economy normally behave.
- d. pessimistic interpretations of the economy.

ANSWER: b

48. Which of the following is an example of a positive, as opposed to normative, statement?

- a. Inflation is more harmful to the economy than unemployment is.
- b. If welfare payments increase, the world will be a better place.
- c. Prices rise when the government prints too much money.
- d. When public policies are evaluated, the benefits to the economy of improved equality should be considered more important than the costs of reduced efficiency.

ANSWER: c

49. Which of the following is an example of a positive, as opposed to normative, statement?

- a. When the minimum wage is increased, unemployment is a predictable consequence.
- b. The income tax rate should be increased to offset the budget deficit.
- c. Increasing government spending is the best way to help the economy move out of a recession.
- d. More than one of the above are positive statements.

ANSWER: a

50. A duty of economists at the Department of Labor is to

- a. analyze data on workers.
- b. schedule federal holidays.
- c. enforce the nation's antitrust laws.
- d. All of the above are correct.

ANSWER: a

51. Economists sometimes give conflicting advice because
- a. graduate students in economics are encouraged to argue with each other.
 - b. economists have different values and scientific judgment.
 - c. economists acting as scientists do not like to agree with economists acting as policy advisers.
 - d. economics is more of a belief system than a science.

ANSWER: b

52. When can two countries gain from trading two goods?
- a. when the first country can only produce the first good and the second country can only produce the second good
 - b. when the first country can produce both goods, but can only produce the second good at great cost, and the second country can produce both goods, but can only produce the first good at great cost
 - c. when the first country is better at producing both goods and the second country is worse at producing both goods
 - d. Two countries could gain from trading two goods under all of the above conditions.

ANSWER: d

53. Tom produces baseball gloves and baseball bats. Steve also produces baseball gloves and baseball bats, but Tom is better at producing both goods. In this case, trade could
- a. benefit both Steve and Tom.
 - b. benefit Steve, but not Tom.
 - c. benefit Tom, but not Steve.
 - d. benefit neither Steve nor Tom.

ANSWER: a

Table 3-8

Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

	Labor Hours Needed to Make 1 Unit of		Number of Units Produced in 24 Hours	
	Cheese	Bread	Cheese	Bread
England	2	3	12	8
Spain	3	6	8	4

54. **Refer to Table 3-8.** Assume that England and Spain each has 24 labor hours available. If each country divides its time equally between the production of cheese and bread, then total production is
- a. 10 units of cheese and 6 units of bread.

- b. 25 units of cheese and 7.5 units of bread.
- c. 20 units of cheese and 12 units of bread.
- d. 12 units of cheese and 8 units of bread.

ANSWER: a

55. **Refer to Table 3-8.** Which of the following combinations of cheese and bread could Spain produce in 24 hours?
- a. 4 units of cheese and 3 units of bread.
 - b. 6 units of cheese and 1 units of bread.
 - c. 7 units of cheese and 1.5 units of bread.
 - d. 3 units of cheese and 3 units of bread.

ANSWER: b

56. **Refer to Table 3-8.** Which of the following combinations of cheese and bread could England *not* produce in 24 hours?
- a. 5 units of cheese and 3 units of bread.
 - b. 6 units of cheese and 4 units of bread.
 - c. 8 units of cheese and 3 units of bread.
 - d. 7 units of cheese and 2 units of bread.

ANSWER: c

57. **Refer to Table 3-8.** We could use the information in the table to draw a production possibilities frontier for England and a second production possibilities frontier for Spain. If we were to do this, measuring cheese along the horizontal axis, then
- a. the slope of England's production possibilities frontier would be 0.67 and the slope of Spain's production possibilities frontier would be -0.5.
 - b. the slope of England's production possibilities frontier would be 1.5 and the slope of Spain's production possibilities frontier would be -2.
 - c. the slope of England's production possibilities frontier would be .75 and the slope of Spain's production possibilities frontier would be -1.
 - d. the slope of England's production possibilities frontier would be 2 and the slope of Spain's production possibilities frontier would be -.5.

ANSWER: a

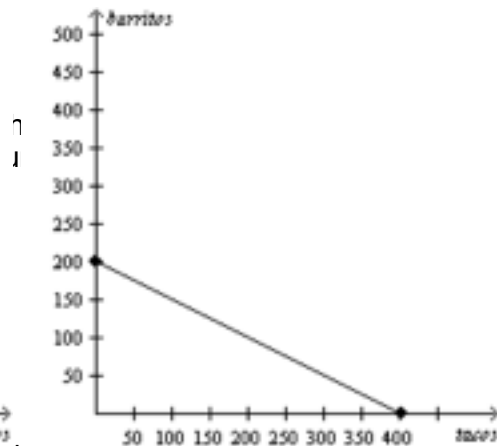
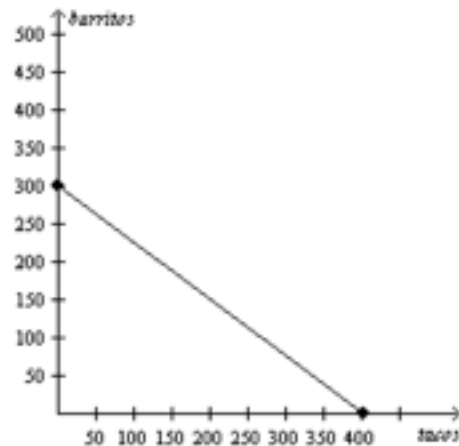
Figure 3-3

Arturo's Production Possibilities Frontier Dina's Production Possibilities Frontier

58. Refer to possibilities

- a. 40 hours
- b. 100 hours
- c. 400 hours
- d. 1600 hours

ANSWER:



production

59. Refer to

of production, then how long does it take Arturo to make one burrito?

- a. 1/4 hour
- b. 1/3 hour
- c. 3 hours
- d. 4 hours

ANSWER:

b

60. Refer to Figure 3-3. If Arturo and Dina both spend all of their time producing tacos, then total production is

- a. 400 tacos and 0 burritos.
- b. 400 tacos and 250 burritos.
- c. 800 tacos and 0 burritos.
- d. 800 tacos and 500 burritos.

ANSWER:

c

61. Ken and Traci are two woodworkers who both make tables and chairs. In one month, Ken can make 3 tables or 18 chairs, whereas Traci can make 8 tables or 24 chairs. Given this, we know that

- a. Ken has an absolute advantage in chairs.
- b. Ken has a comparative advantage in tables.
- c. Traci has an absolute advantage in chairs.
- d. Traci has a comparative advantage in chairs.

ANSWER:

c

62. Travis can mow a lawn in two hours or he can trim a tree in one hour. Ricardo can mow a lawn in three hours or he can trim a tree in two hours.

- a. Travis has an absolute advantage over Ricardo in trimming trees.
- b. Travis has a comparative advantage over Ricardo in mowing lawns.
- c. Ricardo has a comparative advantage over Travis in trimming trees.

d. All of the above are correct.

ANSWER: a

63. Suppose Susan can wash three windows per hour or she can iron six shirts per hour. Paul can wash two windows per hour or he can iron five shirts per hour.
- a. Susan has an absolute advantage over Paul in washing windows.
 - b. Susan has a comparative advantage over Paul in washing windows.
 - c. Paul has a comparative advantage over Susan in ironing shirts.
 - d. All of the above are correct.

ANSWER: d

Table 3-23

Assume that the farmer and the rancher can switch between producing pork and producing tomatoes at a constant rate.

	Labor Hours Needed to Make 1 Pound of		Pounds Produced in 24 Hours	
	Pork	Tomatoes	Pork	Tomatoe
Farmer	6	3	4	8
Rancher	4	4	6	6

64. **Refer to Table 3-23.** The opportunity cost of 1 pound of pork for the farmer is
- a. 1/2 pound of tomatoes.
 - b. 1/2 hour of labor.
 - c. 2 pounds of tomatoes.
 - d. 2 hours of labor.

ANSWER: c

65. **Refer to Table 3-23.** The opportunity cost of 1 pound of pork for the rancher is
- a. 1 pound of tomatoes.
 - b. 1 hour of labor.
 - c. 1.5 pounds of tomatoes.
 - d. 1.5 hours of labor.

ANSWER: a

66. **Refer to Table 3-23.** The opportunity cost of 1 pound of tomatoes for the farmer is
- a. 1/2 pound of pork.
 - b. 2 hours of labor.

- c. 2 pounds of pork.
- d. 4 hours of labor.

ANSWER: a

67. **Refer to Table 3-23.** The opportunity cost of 1 pound of tomatoes for the rancher is
- a. 1 pound of pork.
 - b. 1 hour of labor.
 - c. 1.5 pounds of pork.
 - d. 1.5 hours of labor.

ANSWER: a

68. **Refer to Table 3-23.** The farmer has an absolute advantage in the production of
- a. pork.
 - b. tomatoes.
 - c. both goods.
 - d. neither good.

ANSWER: b

69. Which of the following characteristics is required for a perfectly competitive market?
- a. The goods offered for sale are exactly the same.
 - b. There are so many buyers and sellers that no single buyer or seller has any influence over the market price.
 - c. It is difficult for new sellers to enter the market.
 - d. Both a and b are correct.

ANSWER: d

70. Which of the following is the *least* likely to be a competitive market?
- a. ice cream
 - b. soybeans
 - c. cable television
 - d. new houses

ANSWER: c

71. "Other things equal, when the price of a good rises, the quantity demanded of the good falls, and when the price falls, the quantity demanded rises." This relationship between price and quantity demanded is referred to as
- a. equilibrium.
 - b. the law of demand.
 - c. the relationship between supply and demand.
 - d. the definition of an inferior good.

ANSWER: b

Table 4-1

Price	Quantity Demanded by Michelle	Quantity Demanded by Laura	Quantity Demanded by Hillary
\$5	5	4	11
\$4	6	6	13
\$3	7	8	15
\$2	8	10	17
\$1	9	12	19
\$0	10	14	21

72. **Refer to Table 4-1.** If the market consists of Michelle, Laura, and Hillary and the price falls by \$1, the quantity demanded in the market increases by
- a. 2 units.
 - b. 3 units.
 - c. 4 units.
 - d. 5 units.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.18 - LO: 4-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Supply and Demand
Demand

KEYWORDS: BLOOM'S: Analysis

73. **Refer to Table 4-1.** If the market consists of Michelle and Laura only and the price falls by \$1, the quantity demanded in the market increases by
- a. 2 units.
 - b. 3 units.
 - c. 4 units.
 - d. 5 units.

ANSWER: b

74. **Refer to Table 4-1.** If the market consists of Michelle and Hillary only and the price falls by \$1, the quantity demanded in the market increases by
- a. 2 units.

- b. 3 units.
- c. 4 units.
- d. 5 units.

ANSWER: b

75. **Refer to Table 4-1.** If the market consists of Laura and Hillary only and the price falls by \$1, the quantity demanded in the market increases by

- a. 2 units.
- b. 3 units.
- c. 4 units.
- d. 5 units.

ANSWER: c

76. **Refer to Table 3-23.** The rancher has an absolute advantage in the production of

- a. pork.
- b. tomatoes.
- c. both goods.
- d. neither good.

ANSWER: a

Table 4-6

Price	Firm A's Quantit	Firm B's Quantit	Firm C's Quantit	Firm D's Quantit
\$0	10	0	0	0
\$2	8	3	4	5
\$4	6	6	8	10
\$6	4	9	12	15
\$8	2	12	8	20
\$10	0	15	4	25

77. **Refer to Table 4-6.** Which supply schedules obey the law of supply?

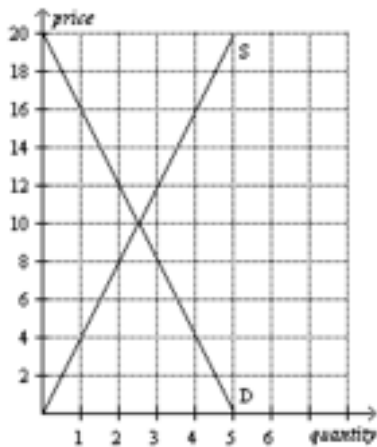
- a. Firm A's only
- b. Firm B's, Firm C's, and Firm D's only
- c. Firm A's and Firm C's only
- d. Firm B's and Firm D's only

ANSWER: d

78. **Refer to Table 4-6.** If these are the only four sellers in the market, then the market quantity supplied at a price of \$4 is
- a. 4 units.
 - b. 7.5 units.
 - c. 10 units.
 - d. 30 units.

ANSWER: d

Figure 4-21



79. **Refer to Figure 4-21.** What is the equilibrium price in this market?
- a. \$0
 - b. \$5
 - c. \$10
 - d. \$20

ANSWER: c

81. **Refer to Figure 4-21.** What is the equilibrium quantity in this market?
- e. 2.5 units
 - f. 5 units
 - g. 7.5 units
 - h. 10 units

ANSWER: a

81. **Refer to Figure 4-21.** At a price of \$16, there is a
- a. surplus of 1 unit.
 - b. surplus of 3 units.
 - c. shortage of 1 unit.
 - d. shortage of 3 units.

ANSWER: b

82. **Refer to Figure 4-21.** At a price of \$4, there is a
- a. surplus of 1 unit.
 - b. surplus of 3 units.
 - c. shortage of 1 unit.
 - d. shortage of 3 units.

ANSWER: d

83. When the price of a good is \$5, the quantity demanded is 120 units per month; when the price is \$7, the quantity demanded is 100 units per month. Using the midpoint method, the price elasticity of demand is about
- a. 0.55.
 - b. 1.83.
 - c. 2.
 - d. 10.

ANSWER: a

84. When the price of a bracelet was \$28 each, the jewelry shop sold 128 per month. When it raised the price to \$32 each, it sold 112 per month. Using the midpoint method, the price elasticity of demand for bracelets is
- a. 1.14.
 - b. 1.
 - c. 0.25.
 - d. 0.13.

ANSWER: b

85. **Refer to Figure 3-3.** If Arturo and Dina each divides his/her time equally between the production of tacos and burritos, then total production is
- a. 200 tacos and 150 burritos.
 - b. 400 tacos and 250 burritos.
 - c. 400 tacos and 300 burritos.
 - d. 800 tacos and 500 burritos.

ANSWER: b

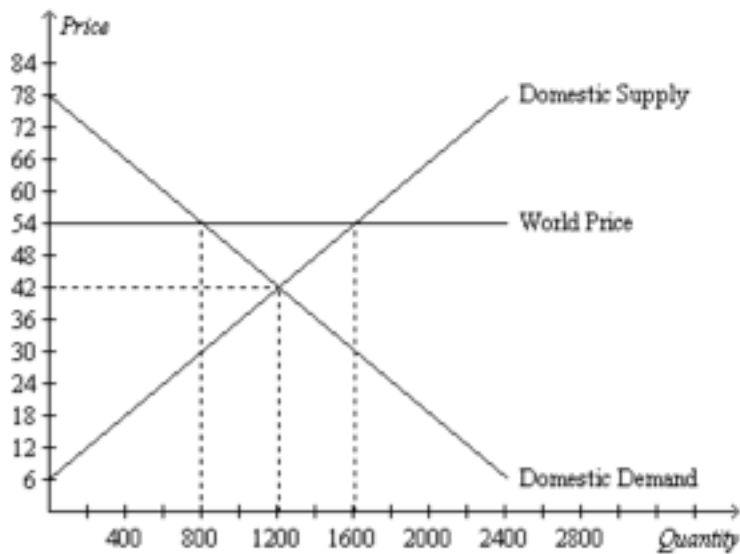
86. Suppose the world price of a television is \$300. Before Paraguay allowed trade in televisions, the price of a television there was \$350. Once Paraguay began allowing trade in televisions with other countries, Paraguay began
- a. importing televisions and the price of a television in Paraguay decreased to \$300.
 - b. importing televisions and the price of a television in Paraguay remained at \$350.
 - c. exporting televisions and the price of a television in Paraguay decreased to \$300.
 - d. exporting televisions and the price of a television in Paraguay remained at \$350.

ANSWER: a

87. The world price of a pound of almonds is \$4.50. Before Uruguay allowed trade in almonds, the price of a pound of almonds there was \$3.00. Once Uruguay began allowing trade in almonds with other countries, Uruguay began
- a. exporting almonds and the price per pound in Uruguay remained at \$3.00.
 - b. exporting almonds and the price per pound in Uruguay increased to \$4.50.
 - c. importing almonds and the price per pound in Uruguay remained at \$3.00.
 - d. importing almonds and the price per pound in Uruguay increased to \$4.50.

ANSWER: b

Figure 9-12



88. **Refer to Figure 9-12.** Equilibrium price and equilibrium quantity without trade are

- a. \$54 and 800.
- b. \$54 and 1,600.
- c. \$42 and 800.
- d. \$42 and 1,200.

ANSWER: d

89. **Refer to Figure 9-12.** With trade, the domestic price and domestic quantity demanded are

- a. \$54 and 800.
- b. \$54 and 1,600.
- c. \$42 and 800.
- d. \$42 and 1,200.

ANSWER: a

90. **Refer to Figure 9-12.** With trade, domestic production and domestic consumption, respectively, are

- a. 1,200 and 800.
- b. 1,600 and 800.
- c. 800 and 1,200.
- d. 800 and 1,600.

ANSWER: b

91. An import quota
- a. is preferable to a tariff since an import quota does not create a deadweight loss.
 - b. is a tax on imported goods.
 - c. reduces the welfare of domestic consumers.
 - d. reduces the welfare of domestic producers.

ANSWER: c